

Economic Development:

The Experience of Sub-Saharan Africa

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Abstract

This chapter appraises sub-Saharan Africa's development experience in the post-independence era. The evidence indicates that the experience has been varied and episodic. Since the beginning of the twenty-first century, the region has become one of the fastest growing in the world, but structural transformation remains elusive as the growth is propelled principally by primary exports—fossil fuel, other minerals, and unprocessed agricultural commodities and forest products. Meanwhile, the private sector is emerging as an innovative force for change; foreign investment, though concentrated in extractive industries, is rising; and democracy is gradually taking firm root despite challenges of rising poverty, climate change, and poor infrastructure.

Nonetheless, with the constellation of strong economic growth, improving human development, more accountable governance, avoidance of the “one size fits all” syndrome that characterized its past relationships with development partners, and committed African leadership, the stage should be set for Africa’s development breakthrough.

Keywords: Sub-Saharan Africa, structural adjustment, structural transformation, poverty, development

Introduction

Sub-Saharan Africa's development experience over the past six decades has been varied, cyclical, and sporadic, and until recently it has lagged behind the rest of the world. After a spurt of post-independence economic growth and nascent structural and social transformation, external shocks, poor policy responses, and ineffective development strategies resulted in economic stagnation in the 1980s; the gains of the first two decades of independence were quickly wiped out, and poverty intensified. This contrasts sharply with the rest of the developing world, where per capita income more than doubled and, in some of the most successful developing countries, increased fourfold or more.

Similarly, while the successful developing countries experienced economic transformation from primary production to more diversified industrial production and subsequently to more sophisticated service industries, with considerable progress toward becoming knowledge economies, virtually all African countries have remained primary producers, the only exceptions being Mauritius and South Africa. In addition, while the successful developing countries have witnessed remarkable progress in human development, especially in the areas of health and education, virtually all African countries remain at the lower end of the Human Development Index (HDI). Correspondingly, while successful developing countries were

able to pull the majority of their people out of poverty, most Africans continue to wallow in poverty.

Recent years have, however, brought some respite to alleviate this picture of gloom for Africa. The past decade has been characterized by sustained economic growth and considerable political maturity, leading to the recent euphoria on African renaissance. While the global commodity price boom has certainly contributed to Africa's recovery, there is a different mindset and a new confidence in Africa's ability to forge its development path as a result of improvement in governance. Africa's private sector has become an increasingly powerful engine for change, driving innovation and transforming outdated business models. Foreign direct investment has also increased by a factor of six over the past decade. It is increasingly evident that Africa is on its way to becoming a preferred investment destination, a potential pole of global growth, and a place of immense innovation and creativity.

However, there are still some palpable challenges. Recent growth in Africa has not been accompanied by significant structural transformation. Indeed, the economic structure of several African countries, especially resource-rich countries, has become more concentrated, making them more vulnerable to external shocks. Moreover, Africa's recent growth has not been inclusive, as it fails to provide remunerative employment opportunities, propelled as it still is in several countries by primary resources (principally fossil fuel and mining sectors),

with low employment elasticity; as a result, the majority of the people are still enmeshed in poverty and rising inequality. Achievements in the area of human development have remained dismal, and with the exception of Mauritius, African countries are unlikely to achieve the Millennium Development Goals (MDGs) by 2015.

This chapter briefly appraises Africa's development experience, especially since the 1960s when several African States became independent. It reviews the development experience and development policy practice in Africa over time, while recognizing that because of the diversity of African countries and their experiences, interpreting Africa's development experience is no simple endeavor.

The chapter is structured as follows: The next section sets the stage by reviewing Africa's economic development performance from 1960 to 2010. It is followed by an appraisal of development policy and practice on the continent, then by some concluding remarks.

Review of Africa's development experience, 1960–2010^{2,3}

In this section, we briefly review Africa's economic development experience since independence in comparison with what obtained in the rest of the world, especially East Asia

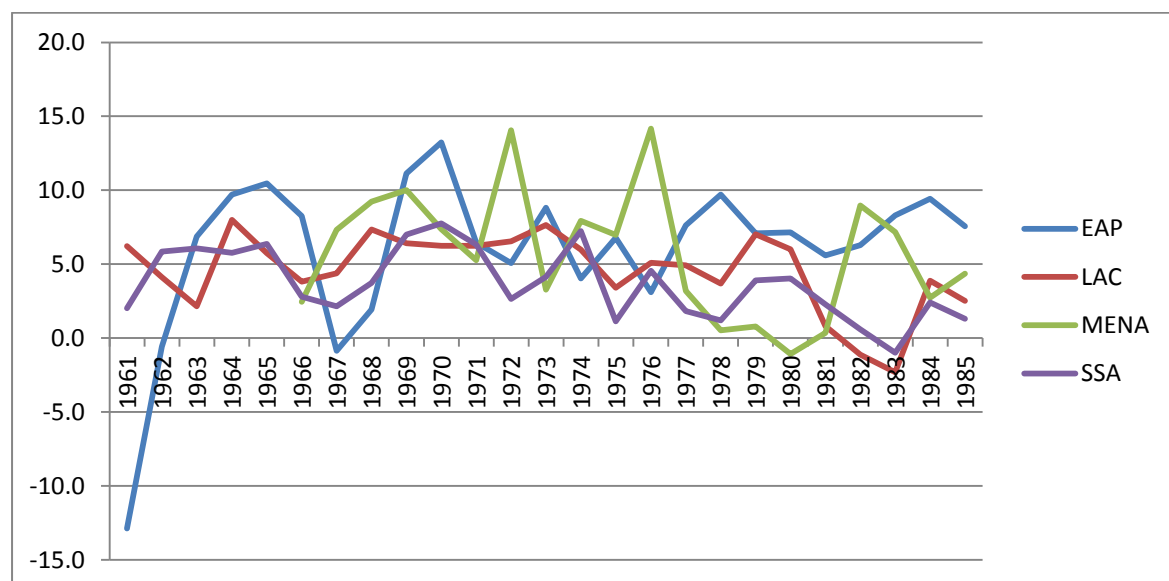
and the Pacific (EAP). Using historical context and in order to presage the evolution of development thinking (as well as development policy and practice in Africa, discussed in the following section), the review period has been decomposed into three distinct phases, each corresponding to a dominant development policy regime and strategy. The three phases are: the immediate post-independence era (1960–85) characterized by state-led development strategy marked by pervasive market failures and the imperative of meeting the high expectations of the population in a post-colonial era; the structural adjustment program era (1986–95) when, on account of pervasive state failures, market fundamentalism reigned supreme; and the neo-liberal policy era (1996–2010), which is essentially rooted in market fundamentalism but nuanced to accommodate poverty, inequality, and other concerns of the international community, such as good governance and climate change.

Immediate post-independence era, 1960–85

On attaining political independence mostly in the 1960s, African countries adopted the import substitution industrialization (ISI) development model, which was then the dominant economic model, inspired largely by the Latin American School as the framework for growth and development strategies. While the initial focus was on consumer goods, the expectation was that as the industrialization process advanced, there would also be domestic production

of intermediate and capital goods needed by the domestic consumer goods industry. It was widely assumed that domestic production of hitherto imported goods would eventually enhance self-reliance and help prevent balance-of-payments problems.⁴ This development strategy seemed to have been successful during the first fifteen years of independence, when the GDP growth rate hovered around 4 percent on the continent and trended well with the other developing regions. By the mid-1970s, Africa and Latin America and the Caribbean (LAC) regions had lost momentum while the EAP region continued to forge ahead, as shown in Figure 43.1.

Figure 1: Annual GDP Growth Rates: Africa and Other Developing Regions, 1960-1985

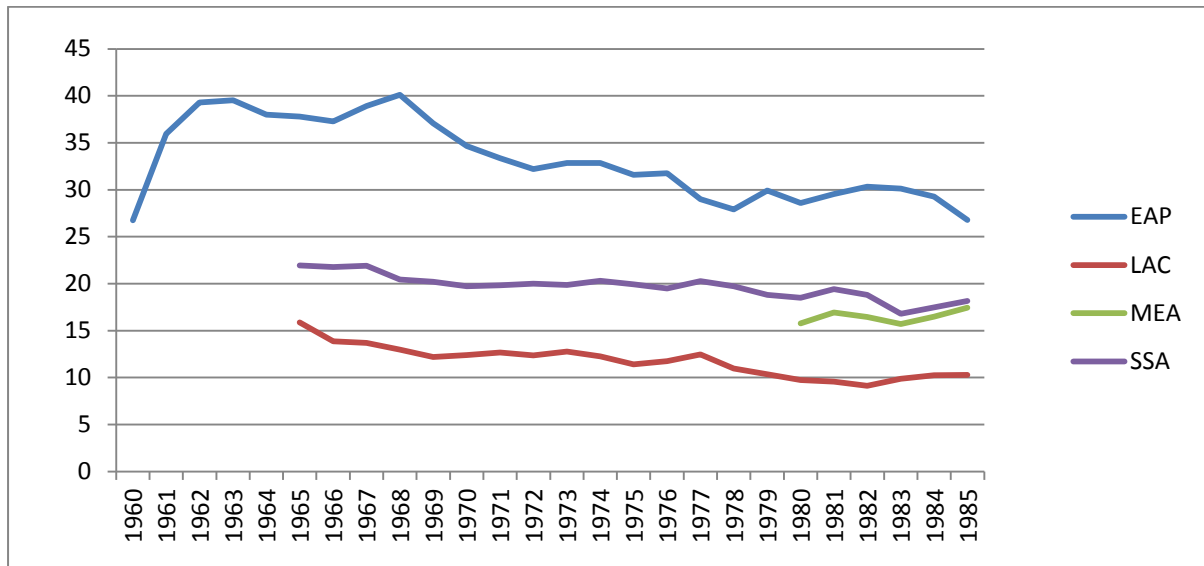


Source: World Bank (2011) World Development Indicators

With respect to structural transformation, the expectation is that as the economy grows, contributions of various sectors to GDP should change as factors, especially labor, move from lower productivity to higher productivity sectors (Lewis 1954; Kuznets 1955; and Chenery 1986). At early stages of development, contributions of primary production (agriculture and mining) to GDP tend to dominate. As development proceeds, the contributions of primary production tend to decline while those of secondary activities (particularly manufacturing) tend to rise. As the economy advances towards becoming a knowledge economy, the contributions of the modern sophisticated services sector to GDP tend to become dominant, as is the case in many OECD countries.

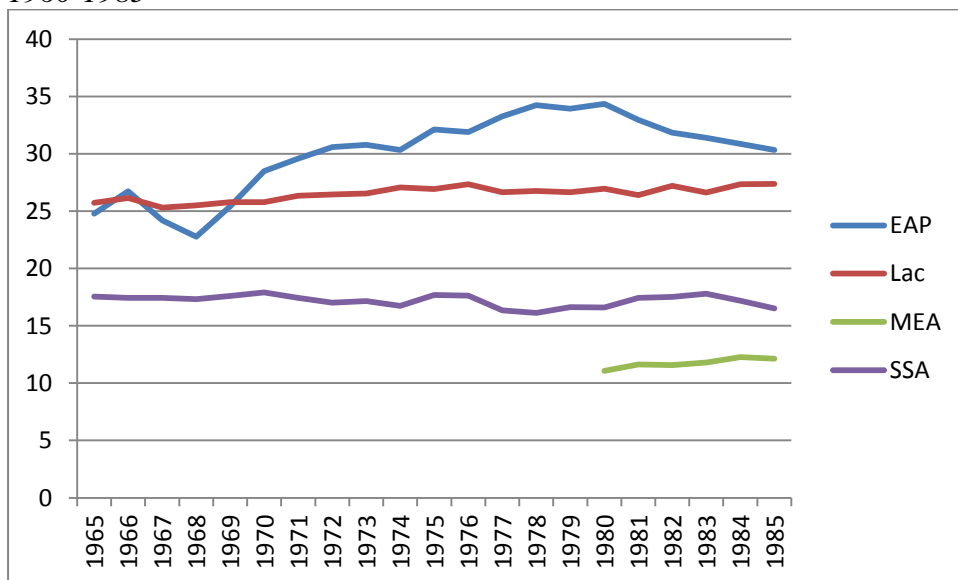
Against this background, the decline in the contributions of agriculture to GDP was very pronounced in EAP and less perceptible in other developing countries, including Africa. Correspondingly, the increase in contributions of manufacturing to GDP was quite steep in EAP and also imperceptible in Africa (see Figures 43.2a and b). Just like economic growth, which lost momentum in Africa after the first fifteen years of the post-independence era, the structural transformation that appeared to have commenced during this period also plummeted thereafter. As a result, the much-desired development (growth plus structural transformation) did not materialize in Africa. In contrast, indications in Asia show that development was underway by 1985.

Figure 2a: Contributions of Agriculture to GDP: Africa and Other Developing Regions, 1960-1985



Source: World Bank (2011) World Development Indicators

Figure 2b: Contributions of Manufacturing to GDP: Africa and Other Developing Regions, 1960-1985



Source: World Bank (2011) World Development Indicators

Structural adjustment era (1986–95)

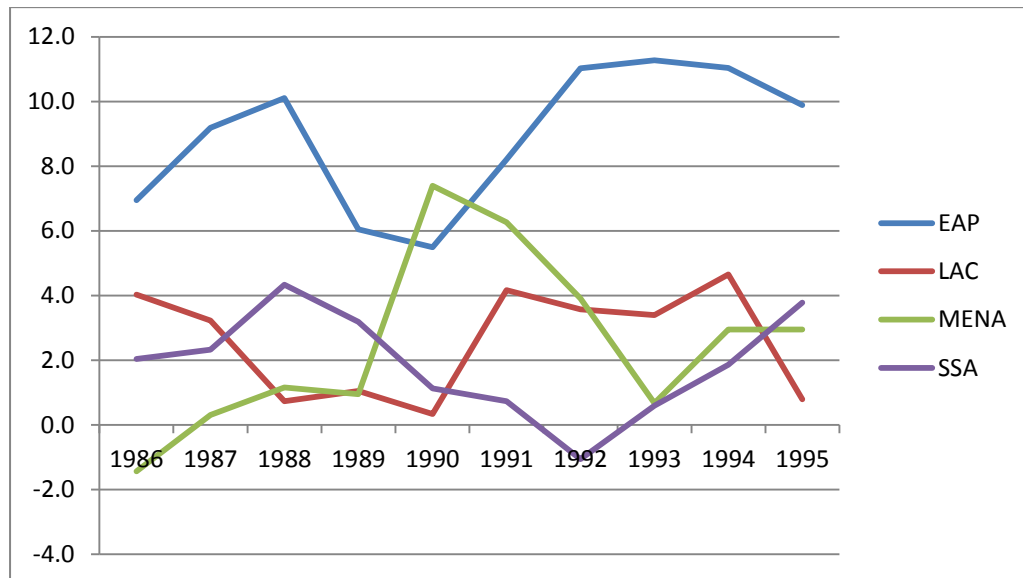
The Structural Adjustment Program (SAP) era in Africa commenced in the mid-1980s, when many African countries lost the growth momentum of the first fifteen years of independence and also experienced a severe balance of payments crisis resulting from the cumulative effects of the first oil shock, the decline in commodity prices, and the growing import needs of domestic industries. In order to manage the crisis, many countries sought financial assistance from the International Monetary Fund (IMF) and the World Bank. African countries that obtained the financial support of the IMF and World Bank had to adopt the SAP, which required them to implement certain policy reforms. As a result, the mid-1980s witnessed the formulation and implementation by most African countries of wide-ranging economic policy reforms, including: (a) deregulation of interest rates; (b) trade liberalization; (c) privatization of state-owned enterprises; (d) withdrawal of subsidies; and (e) currency devaluation.

A key objective of SAP was to reduce the role of the state in the development process and give market forces a greater role in the allocation of resources. The assumption was that

markets are more efficient than the state in resource allocation and that the appropriate role of the latter should be to provide an enabling environment for the private sector to flourish.

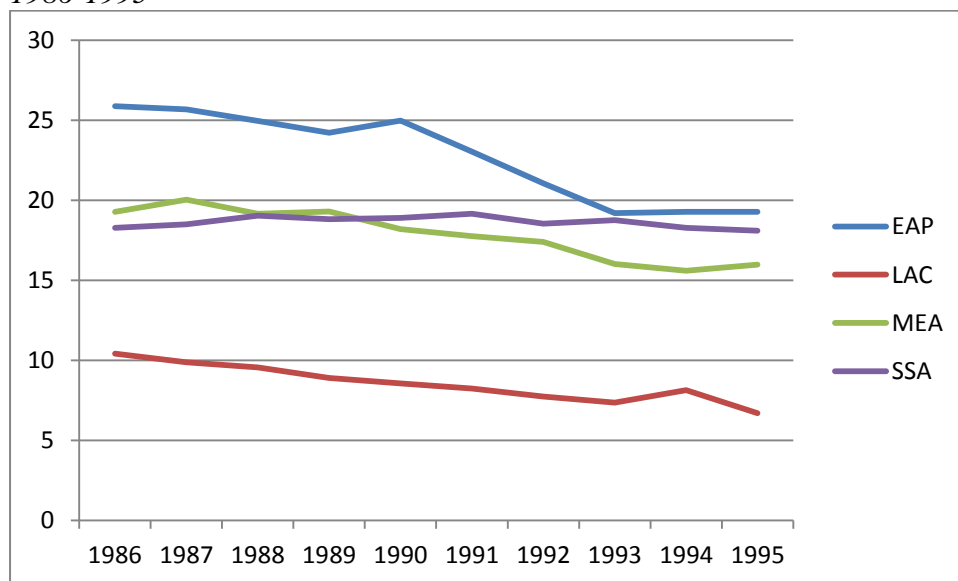
Despite the vigorous implementation of SAP in many African countries, economic performance continued to lag behind that of other developing regions. Indeed, by the beginning of the 1990s, when the impact of SAP policies had become manifest, Africa had become the slowest growing region in the world (see Figure 43.3). However, beginning in the mid-1990s (as is evident from Figure 43.3), African countries started to experience considerable growth revival, but structural transformation remained imperceptible as the contributions of agriculture to GDP in Africa increased slightly while the contributions of manufacturing continued to decline. The picture is quite different in EAP, where manufacturing contributions to GDP remained high and rising, as shown in Figures 43.4a and b. Evidently, the declining contributions of manufacturing to GDP in Africa are stark manifestations of the de-industrialization that occurred during the SAP period in the region.

Figure 3: Annual GDP Growth Rates: Africa and Other Developing Regions, 1986-1995



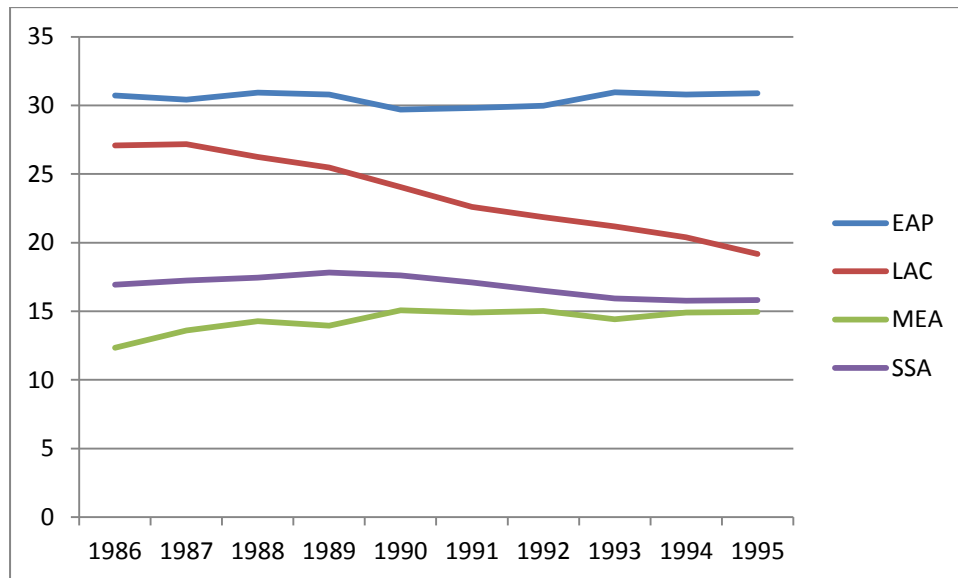
Source: World Bank (2011) World Development Indicators

Figure 4a: Contributions of Agriculture to GDP: Africa and Other Developing Regions, 1986-1995



Source: World Bank (2011) World Development Indicators

Figure 4b Contributions of Manufacturing to GDP: Africa and Other Developing Regions, 1986-1995



Source: World Bank (2011) World Development Indicators

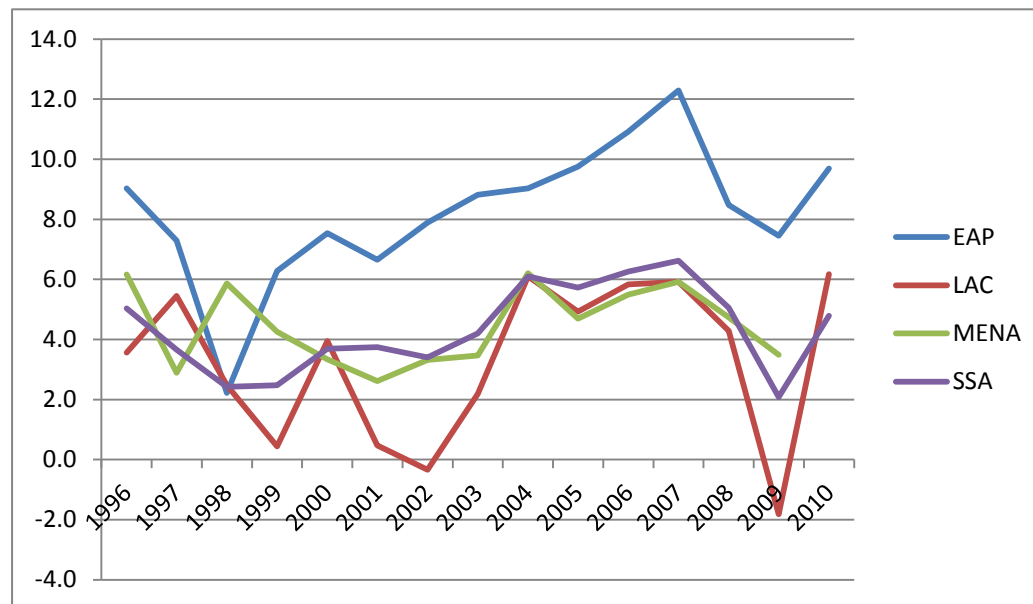
By the end of the 1990s, poverty headcount ratios in twenty of the thirty-two African countries for which data were available exceeded fifty percent. This, along with the burgeoning informal service sector, suggests that the growth revival of the 1990s in Africa was neither inclusive nor pro-poor.

New orthodoxy era (1996–2010)

Clearly, the SAP policies failed to deliver on development in Africa, the growth revival of the first half of 1990s notwithstanding. Africa suffered serious de-industrialization which swelled the rudimentary service sector dominated by low productivity distributive trade activities, and poverty became a serious concern in the region. By the end of the 1990s, therefore, the IFIs had started to reconsider their approaches and practices in the developing countries. Eventually, a joint initiative launched by the IFIs at the end of 1999 put the fight against poverty at the heart of growth and development policies.

Apparently, the IFIs ignored the deleterious effects of the SAPs on structural transformation in Africa. As a result, low-income countries wishing to apply for financial aid or for debt relief under the HIPC (Heavily Indebted Poor Countries) Initiative, were required to draw up poverty reduction programs known as Poverty Reduction Strategy Papers (PRSPs). At the same time, the United Nations system was actively engaged in setting the millennium development goals (MDG) targets culminating in the Millennium Declaration in 2000, with poverty reduction at its heart, while remaining silent on the issue of structural transformation. A hallmark of these initiatives is the continued reliance on market fundamentalism to undergird development policies; state intervention remained anathema.

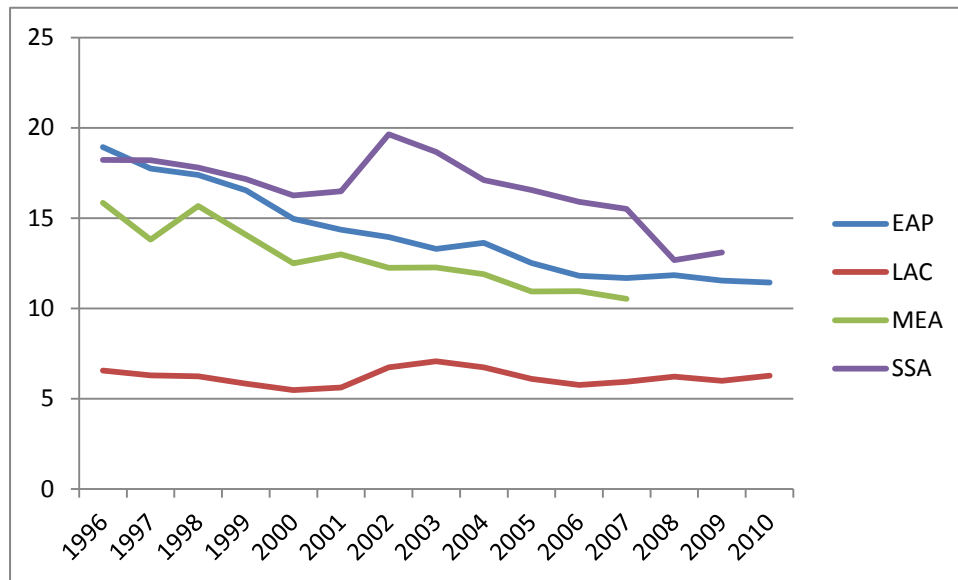
It turned out that the growth revival of the early 1990s could not be sustained, and by 1998 Africa was one of the slowest growing regions in the world. The sharp growth decline experienced in EAP between 1996 and 1998 is attributable to the impact of the Asian financial crisis, from which the region recovered quite dramatically. Africa's recovery, which also started in 1999, was sustained, such that by the beginning of this century and as shown in Figure 43.5, Africa had become the second fastest growing region in the world, next to Asia. Meanwhile, poverty is still a concern in Africa: the headcount ratio exceeds 50 percent in twenty-two of the forty countries for which we have data, and the Gini index exceeds 40 for twenty-three of the thirty African countries, indicating considerable inequality. Clearly, the growth renaissance experienced in Africa during the first decade of this century has been neither inclusive nor equitable (Ajakaiye, Jerome, and Chigunta 2011).

Figure 5: Annual GDP Growth Rates: SSA and Other Developing Regions, 1996-2010

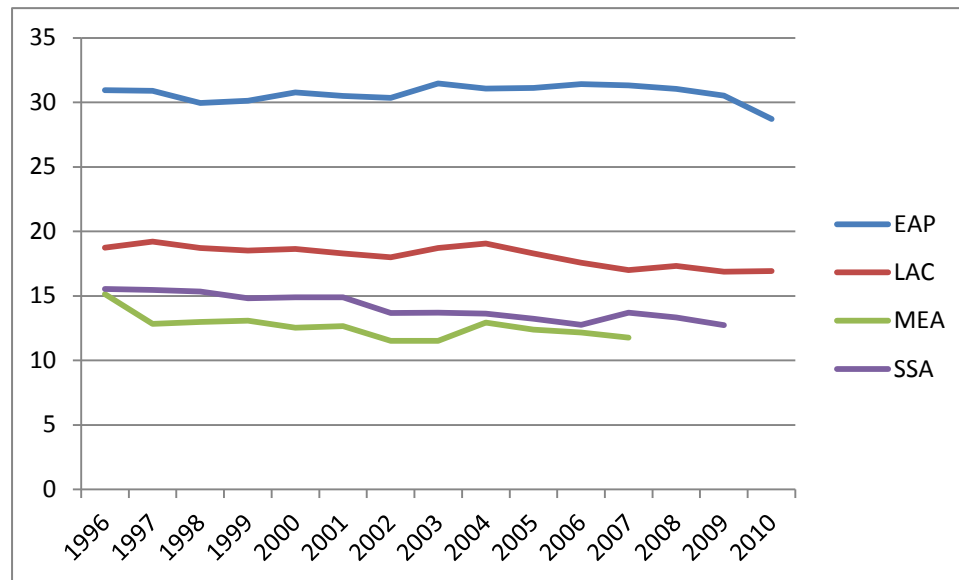
Source: World Bank (2011) World Development Indicators

In terms of structural transformation, the contributions of agriculture to GDP have been declining in both Africa and EAP, as shown in Figure 43.6a. However, the contributions of manufacturing to GDP were also declining in Africa whereas they were increasing in EAP (see Figure 43.6b). Correspondingly, the contributions of services to GDP remained high and rising in Africa, whereas they were rising gradually in EAP, suggesting that the regions might be witnessing gradual progress toward becoming knowledge-driven economies.

Figure 6a: Contributions of Agriculture to GDP: Africa and Other Developing Regions, 1996-2010



Source: World Bank (2011) World Development Indicators

Figure 6b: Contributions of Manufacturing to GDP: Africa and Other Developing Regions, 1996-2010

Source: World Bank (2011) World Development Indicators

In essence, the remarkable growth performance and declining incidence of violent conflicts⁵ notwithstanding, Africa still faces a number of development challenges. Foremost, after sixty years of post-independence efforts, economic development encompassing growth and economic transformation is still elusive in most African countries, with Mauritius and South Africa as notable exceptions.⁶ Moreover, Africa is the only region of the world that has experienced an increase in poverty over the last three decades, in stark contrast to the dramatic gains in the fight against poverty that have been achieved elsewhere, particularly in Asia. Thus, despite comprising only ten percent of the world's population, Africa is still

home to a disproportionate thirty percent of the world's poor. Worse still, the number of people in extreme poverty has doubled to some 300 million people since the mid-1980s and is expected to reach as high as 400 million by 2015.

Most countries in the region are also grappling with the problems of climate change, high disease burden, poor infrastructure, brain drain, violent conflicts, and lack of development of domestic research and development as well as productive industrial capacity. Further, in the last few years African countries have had to deal with the effects of rising food and energy prices and the complications arising from the global financial and economic crisis, especially the financial turmoil generated by the intensification of the fiscal crisis in Europe. These multiple crises pose threats to the recent progress made by the region in economic growth performance, and are jeopardizing efforts by African countries to achieve the MDGs; meanwhile, the challenges of poverty, inequality, and economic transformation persist.

Development policy and practice in Africa

The intellectual underpinnings of development have grown and evolved over six decades into a daunting and formidable array of ideas, concepts, theories, empirical studies, and distinct schools of thought. Consequently, there has been a fundamental change in development

policy thinking over time. The “twists and turns” in the field, especially the role of the state in accelerating development, have had profound implications for development policy and practice in Africa over time.

At independence, most post-colonial African governments inherited economies characterized by low levels of education, poorly developed infrastructure (designed primarily to evacuate raw materials and minerals to the ports), few African entrepreneurs, little technical change in agriculture, undiversified economies with small manufacturing capability, a reliance on a few crops or minerals for export earnings, and state structures and policies that were quite interventionist. African governments faced enormous pressures and challenges after independence. The frustration and anger of local populations coalesced into independence movements, leading to a very rapid transfer of power. The same anger was rapidly transformed into enormously high expectations and aspirations as to the potential of post-independence governments. The rapid pace of independence, and little investment by colonial states in an African civil service, created a large administrative and political vacuum that left the state open to patron-client pressures. Poor policy choices were also due to the impact of prevailing orthodoxy and the character of investment and aid. The structural nature of African economies dictated the need for a gradual transformation to build institutions and capacities, which would expand future economic options.

Post-independence development strategies

Immediately after independence, therefore, the development strategies adopted in Africa were oriented toward catching up with the developed world through industrialization and accelerating the pace of human development. These were to be achieved within long- and medium-term development planning frameworks whose objectives were to eradicate the “colonial structure” that had been imposed on African economies and to speed up economic growth and structural transformation, thereby improving the living standards of the people.

The key feature of African development initiatives in the 1960s was the important role envisaged for the state. In consonance with the prevailing development thinking of the time, the state allocated to itself a central role in the development process—building social and economic infrastructure and providing social services to the impoverished people of the continent. Another feature of the development initiatives in the 1960s was, as noted elsewhere, the import substitution industrialization (ISI) strategy, which aimed at ensuring adequate protection of local industries and employment. This development strategy, with the central role for the state and the protection of local industries and employment, would come to be condemned and dismantled by the international financial institutions just a few years later.

However, as pointed out earlier, by the mid-1970s the momentum of Africa's development had slowed considerably. The economic slowdown of the late 1970s can be attributed to several factors related to "over-investment" in the social sector, corruption, and the debilitating effect of the Cold War. Although hardly acknowledged, perhaps the most important factor is the collapse of the prices of Africa's exports, primarily agricultural commodities and minerals. The developed countries' gravitation toward knowledge economies significantly reduced the primary commodity intensity of their production activities, and Africans had not developed local capacity for processing and adding value to these commodities to meet local demand by other industries and domestic consumers. Loans were taken out from international lenders by newly independent governments, many of which were dictatorships strategically backed by the Cold War superpowers. By the late 1970s, many African states had been seriously weakened by the spate of political instability across Africa (including seven civil wars), as well as by the beginning of the economic decline and the marginalization of Africa.

Initiatives by African leaders

It is important to note that African leaders have been articulating their own ideas on how to combat the problem of underdevelopment in the continent. Specifically, in response to the

loss of growth momentum in the late 1970s, African governments came up with their own economic blueprint—the *Lagos Plan of Action for the Economic Development of Africa 1980-2000*, known as the LPA—crafted by Africans working through two major institutions, the United Nations Economic Commission for Africa (UNECA) and the Secretariat of the Organisation of African Unity (OAU), for the Conference of Ministers of Finance and Economic Planning; the plan was later endorsed by the Heads of State and Government meeting in Lagos in 1980.

The LPA enunciated the goals of collective self-reliance. It sought to adopt a new, inward-looking development strategy to replace the inherited externally oriented pattern. The Plan emphasized, among other factors, the development of domestic markets in Africa rather than reliance on external markets, the control of natural resources by states, the role and importance of domestic factor inputs in development, the imperative of self-sufficiency in food production, the development of human capital, and the provision of social infrastructure for the African people. Clearly, by concentrating on sectoral programs, the LPA, like the preceding ISI strategy, envisaged structural transformation of African economies. In spite of its rigor and clear vision of sustainable, equitable, and poverty-reducing growth accompanied by structural transformation, the LPA achieved very little and was scarcely implemented.

The LPA repudiates the whole logic of the neo-liberal development thinking of the time, and hence did not elicit the necessary support from the IFIs and the international community.

Instead of supporting the LPA, within a year after its adoption by African leaders, the World Bank released a report entitled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (1981), otherwise known as the Berg Report (after its principal author, Professor Elliot Berg). The report was a scathing criticism of the LPA, eulogizing the role of the market and external trade in economic development, with a spirited attack on the state in Africa.

Ignoring underlying structural causes of Africa's development challenges and the efficacy of increasing intra-African trade, the report blamed Africa's economic weaknesses on domestic "policy inadequacies and administrative constraints" and advocated for substantial currency devaluation and trade liberalization, along with dismantling industrial protection measures.

These recommendations formed the basis of structural adjustment programs (SAPs)—market-oriented policy packages—that became conditional to the IMF and World Bank loans made to African countries desperate for convertible currency needed to service external debts. The path to economic development in Africa, the report concludes, was for Africa to liberalize its economy, cut back on the role of the state, and privatize public enterprises.

Meanwhile, the World Bank used its financial leverage in many debt-ridden African countries to compel them to jettison the LPA.

While the IMF was initially responsible for short-term, typically anti-inflationary macroeconomic stabilization programs, and the World Bank for more medium-term market-liberalizing structural adjustment programs (SAPs), their policies converged around what was subsequently dubbed the “Washington Consensus.” That Consensus is generally seen as spearheading the global trend toward greater economic liberalization since the 1980s. While its policy priorities have changed over time (partly in response to poorer-than-expected economic performance in implementing countries), it has remained the “conventional wisdom” at the core of economic policy making across most of the African continent (see, for example, Stiglitz 1998 and Stein 2008).

Throughout the adjustment years, the IFIs seized much of the policy initiative, and foreclosed the debate by literally insisting that there was no alternative; with African scholars, the non-governmental/civil society organizations and policy-makers largely relegated to reactive protest against the policies “imposed” by the dollar (loan/grant)-dangling IFIs.⁷ With the shift in emphasis from broader development to macroeconomic stability (as recommended by numerous IMF and World Bank reports), the ministries in charge of agriculture, industry, rural development, education, health and employment, and infrastructural development were downgraded. Instead, the ministries of finance and the central banks, which normally would be serving and supporting the real sectors of the economies (i.e., agents of African growth and structural transformation), were dealing directly with the Bank and the Fund, whose

interest in these issues was not obvious, to say the least. In several African countries, the Ministry of Finance and Economic Planning was stripped of its economic planning functions in order to focus all its attention on short-term financial issues, mainly inflation and exchange rate management, ignoring the implications of their policies for real sector growth and structural transformation.

While the LPA could not be implemented, Africa leaders and their institutions continued to tinker with alternative development strategy separate from the neo-liberal doctrine of SAP. Examples include the UN Programme of Action for Africa Economic Recovery and Development, 1986–90 (UN-PAAERD); the UNECA Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation (AAF-SAP) of 1989; and the African Charter for Popular Participation and Development adopted in Arusha, Tanzania in 1990. All these economic proposals for Africa's development remained merely statements of intent, as the dominant forces in the global economy, spearheaded by the IFIs, were either opposed or gave cold reception to them. The tendency was for the IFIs to deploy their political and economic leverage on African countries to sway them away from such blueprints as they, like the LPA, challenged the orthodoxy, emphasizing the imperatives of structural transformation and the inevitability of government intervention in pursuit of an inclusive and equitable development agenda with the emphasis on job creation.

The fight against poverty took center stage in the preoccupations of public authorities in Africa and the international community from the mid-1990s. Based on a 1995 World Bank report (*A Continent in Transition: Sub-Saharan Africa in the Mid-1990s*), and under intense and sustained pressure from international civil society organizations as the problems of implementing liberal reforms contained in the structural adjustment programs of the 1980s and early 1990s became evident, the World Bank and other international actors began to lay out a new approach to development that placed greater emphasis on poverty reduction and the participation of civil society organizations. Thus, poverty reduction strategies became the framework for economic policies and development choices in most African countries.

This reorientation of economic policies was reinforced by the adoption of the HIPC initiative for debt reduction, with the adoption of a poverty reduction strategy as a precondition to accessing support. Most African countries committed to the poverty reduction path from the mid-1990s, and a great number of them have reached the HIPC completion point that allows them to benefit from significant external debt reduction and increase social sector spending in order to combat poverty and assist vulnerable populations.

Despite these initiatives, growth remained weak and fragile, and far below the levels required to achieve the Millennium Development Goals and reduce poverty by half by 2015. Like the

underlying development thinking of the period, issues of structural transformation and the role of the state did not receive any attention.

New Partnership for Africa's Development

In the last decade, a renewed urge to reclaim development agenda setting in Africa by African leaders was galvanized with the establishment in October 2001 of the New Partnership for Africa's Development (NEPAD).⁸ NEPAD is the second major attempt by African leaders, after the aborted Lagos Plan of Action, to muster a collective will to engineer economic development in Africa. It represents a pledge by African leaders, based on a common vision and a firm and shared conviction that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time to prepare them to participate actively in the world economy and global politics.

NEPAD has seven priority areas of intervention:

1. Strengthening mechanisms for conflict prevention, management, and resolution;
2. Promoting and protecting democracy and human rights;
3. Restoring and maintaining macroeconomic stability;

4. Revitalizing and extending the provision of education, technical training, and health services, with high priority accorded to HIV/AIDS, malaria, and other communicable diseases;
5. Promoting the role of women in social and economic development;
6. Building the capacity of the states in Africa; and
7. Promoting the development of infrastructure, agriculture and its diversification.

To achieve the above, NEPAD⁹ calls for policy reforms and increased investments in the priority areas of agriculture and food security, science and technology, environment, trade and market access, governance, infrastructure (energy, transport and water sanitation, and information and communication technologies), gender, and capacity development. NEPAD, in conjunction with the African Development Bank and the UNECA, also continues to emphasize the participation of the private sector, civil society organizations, and the African Diaspora in fostering development on the continent.

Unlike previous initiatives by African leaders and their institutions, NEPAD neither challenged the orthodoxy nor emphasized structural transformation and government intervention. Accordingly, the developed world typified by the G8 has given tacit approval and overwhelming support to the NEPAD initiative, apparently because it is perceived to be in tune with the prevailing new orthodoxy in development thinking.

Developmental state and economic transformation

Paradoxically, the first decade of this century has also been a period of intellectual ferment inspired by the global economic crisis of 2008–09, during which past experiences were evaluated, basic assumptions and theories questioned, complexity of development processes acknowledged, and new approaches to development thinking and practice encouraged.

The weaknesses of the Washington Consensus, which was paraded as the intellectual showpiece of the so-called reform movement, have been widely discussed. The general consensus is that the Washington Consensus policies have not lived up to expectation, not only in Africa but around the world. As a package, they were neither necessary nor sufficient for growth; and too often, even when they brought a modicum of growth, it was not accompanied by structural transformation and hence it was not inclusive, as the bulk of the benefits were appropriated by relatively few people, leaving the majority in poverty.¹⁰

In recent years, following the global economic and financial crisis, there seems to have been a convergence of ideas, at least within the African Union Commission (AUC) and UNECA, on the imperatives of a democratic developmental state in Africa as a spur to rapid economic

development in the region. This is given impetus by two reports: the UNECA/AUC *Economic Report on Africa (ERA) 2011* on “Governing Development in Africa: Role of the State in Economic Transformation,” and *Good Growth and Governance in Africa: Rethinking Development Strategies*, edited by Noman, Botchwey et al. (2011). The two reports suggest that the state has a crucial role to play in meeting the current and emerging development challenges in Africa. In particular, the UNECA/AUC *ERA 2011* advocates that Africa’s developmental states should undertake three major tasks for achieving economic transformation: planning the process, formulating appropriate policies, and implementing the plans and policies. The report therefore recommends that the developmental state approach should be operationalized through disciplined planning while avoiding the pitfalls of state intervention, such as capture, through a competent and autonomous bureaucracy responsible for planning and implementation as well as constructing a developmentalist coalition among committed political leadership, the bureaucracy, private sector employers and employee associations, and civil society.

Clearly, this admonition, while in line with the emerging development thinking—especially the new structural economics articulated by Lin (2011)—may not enjoy the same tacit approval and overwhelming support of the developed world as did the NEPAD initiative. However, in view of the success of the emerging markets, particularly those of the EAP region, in implementing a judicious and pragmatic combination of government intervention

and market mechanisms in the process of economic growth and structural transformation, and the spate of significant government interventions in the OECD countries in dealing with the ongoing economic and financial crisis, Africa should find support for a judicious and pragmatic combination of government intervention and market mechanisms as a strategy for achieving the inclusive, poverty-reducing, and equitable growth and structural transformation that has so far proved elusive.

The challenge this time, however, is that financial assistance from the traditional partners may not be as forthcoming as before. African countries should therefore capitalize on the opportunities and manage the risks presented by the emergence of a multi-polar world and resource shifts toward Asia and other developing regions, as elucidated by UNECA/AUC (2012: 77–81).

Conclusion

The upshot of the foregoing is that during the past six decades Africa has experienced spurts of economic growth that were not accompanied by reductions in poverty and inequality. Most of the policy initiatives, especially those inspired by the IFIs, ignored the issue of structural transformation. The indication, therefore, is that economic development characterized by

robust and sustained economic growth, poverty reduction, inequality reduction, and economic transformation has remained elusive in Africa.

Meanwhile, development economics, which crystallized as a separate discipline in the post-war period, embracing the instrumentality of government intervention in advancing growth and structural transformation, evolved to become increasingly hostile to government intervention, and over time (especially after 1980, as a result of the neo-classical counter-revolution) jettisoned the issue of structural transformation.

Correspondingly, development policy and practice, which also initially (in the 1950s) advocated a strong role for the state, gradually switched (particularly since 1980) to dogmatic reliance on market mechanisms, which, in fact, became the new orthodoxy until recently when it is increasingly being challenged. Not surprisingly, initiatives by African leaders that were not in tune with the new orthodoxy were vigorously resisted and failed to find the support of the international community.

Meanwhile, experience shows that policy advice based on either of the two extremes—i.e., exclusive reliance on government intervention or market mechanisms—has failed to produce development encompassing inclusive, equitable, and poverty-reducing growth and structural transformation.

The experience of successful developing countries suggests that a developmental state capable of maintaining a judicious, dynamic, and pragmatic combination of government intervention and market mechanisms is a crucial recipe for success. Recent evolution in development thinking, especially the conclusion of the Growth Commission and the new structural economics emanating from the World Bank, is quite propitious for Africa. This is particularly so as this is occurring at a time when many African leaders are adopting a democratic developmental state approach to development (growth plus structural transformation), as outlined above (*Developmental state and economic transformation*).

Underlining all this is the need for strong and visionary political leadership with the capacity to mobilize the population around a common national vision. This must be complemented with an effective institutional framework that defines and enforces the roles and responsibilities of the three drivers of change—the *state* through pragmatic and dynamic government intervention, the *private sector*, and *civil society*—for implementing the common national vision and ensuring mutual accountability among them. This also calls for an enabling policy environment and a stable and predictable rule on the operations of all stakeholders necessary for fostering economic development. If this perspective persists for the next three decades, African countries may not only grow at a decent rate but also structurally transform their economies, shifting from the current chronic dependency on

agriculture and export of commodities to a more industrialized model where manufactured exports account for the bulk of total exports, as Malaysia did over a thirty-year period (Yusof 2011).

African leaders can also take advantage of the ongoing global financial crisis to work with old and new economic partners and lay the foundation for a stable, prosperous continent anchored in democracy, rule of law, and sound, people-oriented development policies. Perhaps what is needed is deepening of continent-wide institutions and initiatives that are providing the continent with a vision for Africa in the twenty-first century.

Crucially, African countries can develop faster by unleashing their productive potential—by aggressively investing in infrastructure, science and technology, and human capital, harnessing the potential of their youthful population, and promoting good governance. With decisive leadership at home and sustained support from development partners, there is now an opportunity to unlock that potential and set the course for a future of shared prosperity, more equal opportunity, and political stability.

The contemporary development history of Africa also underscores the misconceptions of a “one size fits all” approach to economic development, which has largely failed. We should not repeat the mistakes of the past. The appropriate mix of government intervention and

market mechanisms will depend on the initial conditions of each country and the pace of development over time. Accordingly, careful, detailed, and contextually relevant country-level studies should regularly underpin the articulation of policies and programs necessary to initiate, sustain, and advance the goals of inclusive, equitable, and poverty-reducing growth accompanied by structural transformation in Africa.

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² For the purposes of this chapter, “economic development” is defined as growth accompanied by structural transformation.

³ Data underlying the analysis in this section were obtained from the World Bank’s *World Development Report 2011*.

⁴ Although there are country-specific differences in policies adopted, the implementation of ISI in Africa generally involved: (a) restriction of imports to intermediate inputs and capital goods required by domestic industries; (b) extensive use of tariff and non-tariff barriers to trade; (c) currency overvaluation to facilitate the import of goods needed by domestic industries; (d) subsidized interest rates to make domestic investment attractive; (e) direct government ownership or participation in industry; and (f) provision of direct loans to firms as well as access to foreign exchange for imported inputs (Mkandawire and Soludo 2003; UNCTAD/UNIDO 2011).

⁵ Africa has become more peaceful: in 2002, fifty-five percent of worldwide violent conflict took place in sub-Saharan Africa, but by 2011 the share had dropped to twenty-four percent (Africa Progress Panel 2012).

⁶ Indeed, there are indications that Mauritius and South Africa are well on the way to becoming knowledge economies, as they are the only two African countries whose knowledge economy index exceeded 5 as at 2009. The remaining twenty-nine African countries covered in the 2009 report scored below 5; indeed, of the thirty-three lowest scores, twenty-six are from African countries.

⁷ See Ajakaiye (2007) for a discussion of the implications of this relegation for policy implementation in Africa.

⁸ In all, four African leaders, namely, Thabo Mbeki of South Africa, Abdoulaye Wade of Senegal, Olusegun Obasanjo of Nigeria, and Abdelaziz Bouteflicka of Algeria, were critical of the establishment of NEPAD.

⁹ As part of the process to integrate NEPAD into the African Union structures and processes, the 14th African Union (AU) Summit (held in 2010) decided to strengthen the NEPAD program by transforming the smekretariat into an implementation agency, the NEPAD Planning and Coordinating Agency (NPCA).

¹⁰ East Asia and the Pacific (EAP) is a notable exception, apparently because it did not comply with the tenets of the Washington Consensus.

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